

11/23/007

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO

DIVISION OF
OIL, GAS AND MINING

IN RE:

NORTH LILY MINING COMPANY, INC.,
a Utah corporation,
EIN: 87-0159350

Debtor.

Case No. 01-23068-EEB

Chapter 11

IN RE:

XERES TINTIC, LLC

EIN: 84-1528808

Debtor.

Bankruptcy No. 01-23069-EEB
Chapter 11

Jointly Administered Under
Bankruptcy No. 01-23068-EEB
Chapter 11


**NOTICE OF FILING OF JOINT DISCLOSURE STATEMENT TO ACCOMPANY
FIRST AMENDED PLAN OF REORGANIZATION
DATED JANUARY 4, 2002**

The Debtors, North Lily Mining Company, Inc. and Xeres Tintic, LLC, by and through their attorneys, Kutner Miller Kearns, P.C., herewith submits the filing of their Joint Disclosure Statement to Accompany First Amended Plan of Reorganization dated January 4, 2002, a copy of which is attached hereto as Exhibit A.

Dated: February 4, 2002.

Respectfully submitted,

By:


Lee M. Kutner, #10966
Jenny M.F. Fujii, #30091

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CERTIFICATE OF MAILING

I do hereby certify that on this 14th day of February, 2002, a true and correct copy of the foregoing **NOTICE OF FILING OF JOINT DISCLOSURE STATEMENT TO ACCOMPANY FIRST AMENDED PLAN OF REORGANIZATION DATED JANUARY 4, 2002 AND PLAN OF REORGANIZATION DATED JANUARY 4, 2002** was deposited in the United States mail, postage prepaid, addressed to the following:

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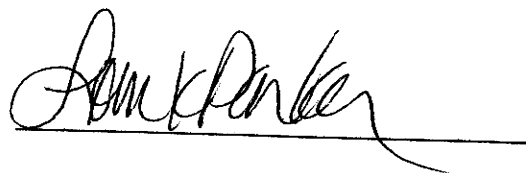
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IN RE:

Debtor.

Chapter 11

Debtor.

Chapter 11

**Jointly Administered Under
Bankruptcy No. 01-23068-EEB
Chapter 11**

INTRODUCTION

This Disclosure Statement has been prepared by North Lily Mining Company, Inc. ("North Lily") and Xeres Tintic, LLC ("Xeres") (collectively referred to as "Company" or "Debtors"). The North Lily and Xeres cases are being jointly administered by the Bankruptcy Court. Joint administration means that for administrative purposes certain hearings affecting both cases are held together and the pleadings in both cases bear a joint caption. While the cases are jointly administered, they are not substantively consolidated and the assets and liabilities of each company are treated separately. This Disclosure Statement accompanies the Debtors' First Amended Plan of Reorganization dated January 4, 2002 ("Plan") which has been filed in the Debtors' Chapter 11 case. This Disclosure Statement is being provided to all creditors and interest holders of the Debtors'. This Disclosure Statement is subject to final approval pursuant to 11 U.S.C. Section 1125 by the United States Bankruptcy Court for the District of Colorado as containing adequate information to enable creditors and interest holders to determine whether to accept the Debtors'

Plan. The Court's approval of this Disclosure Statement does not constitute a decision on the merits of the Debtors' Plan. Issues related to the merits of the Plan and its confirmation will be the subject of a confirmation hearing which is scheduled for _____, 2002 at ____:____ a.m. in Courtroom F, United States Bankruptcy Court, U.S. Customs House, 721 - 19th Street, Denver, Colorado.

THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION. THE COMMISSION HAS SIMILARLY NOT REVIEWED THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT.

This Disclosure Statement is provided to you along with a copy of the Debtors' Plan and a Ballot to be used for voting on the Plan. Please complete the Ballot according to the instructions contained on the Ballot if you intend to vote for or against the Debtors' Plan. Each creditor or interest holder may vote on the Plan by completing the enclosed Ballot and returning it to counsel for the Debtors:

Lee M. Kutner, Esq.
Kutner Miller Kearns, P.C.
303 East 17th Avenue
Suite 500
Denver, CO 80203

This Ballot must be received by Kutner Miller Kearns, P.C. no later than _____, 2002, which date has been set by the Court as the last day to vote on the Plan. Terms contained in this Disclosure Statement, which are defined in the Plan, have the same meaning as set forth in the definition section of the Plan, Article II.

CHAPTER 11 AND PLAN CONFIRMATION

Chapter 11 of the United States Bankruptcy Code is designed to allow for the rehabilitation and reorganization of financially troubled entities or individuals. Chapter 11 allows the Debtor to retain its assets during administration of its Chapter 11 case as a Debtor-in-Possession and following confirmation of a Plan as a reorganized Debtor or as provided in the Plan. Once confirmation of a Plan of Reorganization is approved by the Court, the Plan of Reorganization is the permanent restructuring of the

Debtor's financial obligations. The Plan also provides a means through which the Debtor will restructure or repay their obligations. The Plan will provide the Debtors with an opportunity to remain in business and satisfy its debts as restructured under the Plan. Funding for the Plan will be derived from an Agreement with The Standard Group ("TSG"). This agreement provides TSG a nine month option to purchase all or part of the Debtors' real property and/or to lend funds to North Lily secured by such property. In the event that TSG does not exercise sufficient options to allow the Debtors to pay off all secured and unsecured debt to the extent provided in this Plan, following expiration of the option, the Debtors will either sell or refinance the remaining real property to the extent necessary to satisfy their obligations under the Plan.

The Plan divides creditors into classes of similarly situated creditors. All creditors of the same class are treated in a similar fashion. All stock interests are also classified and treated alike. Each class of creditors or interest holders is either impaired or unimpaired under the Plan. A class is unimpaired if the Plan leaves unaltered the legal, equitable and contractual rights to which each creditor in the class is entitled. Alternatively, a claimant is unimpaired if the Plan provides for the cure of a default and reinstatement of the maturity date of the claim as it existed prior to the default.

The Bankruptcy Court entered an Order setting a bar date for filing Proofs of Claim as _____, 2002. The Plan provides that claims and interests of all classes shall be allowed only if evidenced by a timely filed Proof of Claim or Interest or which otherwise appear in the Schedules filed by the Debtors and are not scheduled as disputed, contingent or unliquidated unless subsequently allowed by the Court. Creditors may check as to whether or not their claims have been scheduled as disputed, contingent or unliquidated by reviewing the Schedules filed by the Debtors in the Bankruptcy Court for the District of Colorado. Alternatively, creditors may contact counsel for the Debtors or Debtors directly in order to determine how they have been scheduled.

Chapter 11 does not require that each holder of a claim against or interest in the Debtors vote in favor of the Plan in order for the Court to confirm the Plan. The Plan, however, must be accepted by at least one impaired class of claims by a majority in number and two thirds in amount, without including insider acceptance, of those claims of such class actually voting on the Plan. Assuming one impaired class

votes to accept the Plan, it may be confirmed over its rejection by other classes if the Court finds that the Plan does not discriminate unfairly and is fair and equitable, with respect to each class of claims or interests that is impaired under and has not accepted the Plan.

The Bankruptcy Code requires that if interest holders retain an interest or receive anything under the Plan, then the unsecured creditor classes must either be paid the full value of their claims or vote to accept the Plan. Under the Debtors Plan, Xeres interest holders, Class X6, are unimpaired by the plan. North Lily interest holders, Class NL8, are impaired by the plan. On the Effective Date of the Plan, the outstanding shares of stock held by each NL8 shareholder of record shall be reduced by 90%. The result will be a 10 for 1 reverse split of North Lily's outstanding shares of common stock. In the event that the reverse split results in a shareholder who would own less than 100 shares, an odd lot, the shareholder will have the right to purchase additional shares at a price determined by North Lily on the Confirmation Date, sufficient to provide the shareholder with 100 shares. In the event the shareholder does not purchase additional shares, all of the shareholder's outstanding shares shall be canceled. All creditors are urged to vote to accept the Plan.

If all classes of claims and interests vote to accept the Plan, the Court may confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation. Among other things, Section 1129 requires that the Plan be in the best interest of the holders of claims and interests and be feasible through a showing that confirmation will not be followed by the need for further financial reorganization of the Debtor.

BACKGROUND AND EVENTS LEADING TO CHAPTER 11 FILING

Xeres Background

Xeres is a Colorado limited liability company. Xeres was established in 1998 by North Lily as a holding company for certain real property in Utah. North Lily owns 91.5% of the Xeres stock. Redshore Properties, Inc. holds 7.4% of the Xeres stock.¹ North Lily has an entitlement to 96.5% of the Xeres cash

¹ The remainder of the Xeres interest is held by a third party. This interest is contingent on the Xeres real property net proceeds exceeding \$12.5 million. The Debtors do not expect the net proceeds

flow and is effectively a 96.5% shareholder. Xeres has no other business activity other than its current holdings of two parcels of real property, more specifically described below. Xeres is dependent upon North Lily for management and other financial transactions. Stephen E. Flechner, President and a Director of North Lily, and W. Gene Webb, Executive Vice President and a Director of North Lily, are managers of Xeres through an operating agreement.

North Lily Background

North Lily was incorporated in Utah in 1916 and has been a publicly held corporation since the 1920's. North Lily was a subsidiary of Anaconda Company from 1925 until 1983. Between 1925 to 1949, North Lily produced gold, silver, lead, zinc and copper from the North Lily Mine in the Tintic Mining District, Utah. In 1991, in conjunction with International Mahogany, North Lily acquired the Tuina copper property in Chile. From 1991 until 1998, North Lily jointly developed the Tuina copper project which was abandoned in 1998 as uneconomic. At Silver City, Utah, in conjunction with Mahogany, North Lily also operated a small heap leach tailing reprocessing project, which produced approximately 33,000 ounces of gold and gold equivalent beginning in 1988, and is now in the final reclamation and closure stages.

North Lily currently maintains its principal offices at 1800 Glenarm Place, Suite 210, Denver, Colorado. Stephen E. Flechner, President and a Director of North Lily, holds 7.5% interest in the North Lily stock. W. Gene Webb, Executive Vice President and a Director of North Lily, holds an 8.1% interest in the North Lily stock. Theodore Loud, a secured creditor of North Lily, is also a Director of North Lily with a .17% interest in the North Lily stock.

Up until March 2000, North Lily was primarily engaged in mineral exploration and in the gold and copper mining business. North Lily no longer actively participates in these industries. North Lily's current business consists of ownership, reclamation and development activities related to its substantial real property holdings in the State of Utah. The following depicts North Lily's various non-mining business ventures.

North Lily's Post-Mining Activities

of the Xeres real property to exceed \$12.5 million in the near future.

On April 7, 2000, North Lily acquired its wholly-owned subsidiary, Loanmining.com, a mortgage loan business, by issuing shares of North Lily restricted common stock. In consideration for these shares, North Lily acquired the rights to the following: (1) the names Loanmining.com Inc. and Home Loan.com; (2) rights to a team of mortgage brokers, telemarketers, processing and closing staff; and (3) rights to the Loanmining.com, Inc. Internet website business plan.

In conjunction with the Loanmining.com acquisition, North Lily closed on a private placement financing of \$245,000 in exchange for 7 percent convertible notes and warrants. The notes were due in periods of six to nine months from the date of issuance and repayable or convertible, at the option of the holder, into shares of North Lily common stock at \$0.20 per share (except for \$25,000 at \$0.50 per share). Warrants for the purchase of an aggregate 1,400,000 shares were issued as part of the sale of the notes and were exercisable at \$5.00 and \$7.50 per share during years one and two, respectively, from date of issue, and expire at various dates from February 2002 to April 2002. North Lily utilized \$63,000 of the proceeds to finance stock redemption and releases from stockholders of Loanmining.com, Inc. who dissented to the acquisition. Warrant prices were reduced to \$2.00 per share if exercised by April 30, 2001. The majority of the Notes were converted at \$.20 per share.

On April 15, 2000, North Lily and Loanmining.com, entered into a management consulting agreement with Pinnacle Performance Fund, Inc. under which Pinnacle was engaged to perform certain corporate planning, business development, and financial strategy services for a term of three years. In exchange for these services, North Lily agreed to issue Pinnacle an aggregate of one million shares, all with "piggy back" or S-8 registration rights. The majority of these shares were issued but there was a failure of full performance by Pinnacle.

In April 2000, North Lily acquired 100 percent of the membership interests in Mortgage Partners Home Funding, LLC for Loanmining.com in consideration of 170,000 shares of North Lily restricted common stock and \$25,000 in promissory notes. The notes are past due, and North Lily agreed to conversion of the notes into common stock. On May 1, 2000, the Company completed a private placement of 130,000 common shares of the Company's stock for \$40,000. In June 2000, the Company issued one million shares of stock in consideration for a joint venture providing commercial lending business

and facilitation arrangements for Loanmining.com and \$125,000 in capital. The transaction was not consummated and North Lily sought return of the shares.

On July 25, 2000, North Lily entered into a letter of intent to be acquired by Captain's Management, Inc. for ten shares of Captain's for every 14.5 of North Lily shares when Captain's is registered and trading on a stock exchange. Captain's agreed to provide North Lily with over \$400,000. North Lily agreed to pledge a portion of the Utah properties to secure related financing to be obtained by Captain's. In addition, Captain's was to provide website development and marketing for Loanmining.com at Captain's expense. This transaction never took place.

During January and February 2001, North Lily entered into consulting agreements with several parties for e-mail services, direct marketing, broker relations, investor relations, and publishing services. In addition, North Lily entered into corporate development agreements for management consulting concerning debt restructuring and development of financial paper and credit card business. The aggregate of these agreements involved issuances of one million restricted shares and 1.3 million shares issued pursuant to North Lily's registration statement on Form S-8. North Lily also issued an aggregate of 300,000 restricted to two consultants in settlement of debt and to an outside director for expenses and consulting.

This acquisition and diversification into the mortgage loan business created losses which, in part, contributed to North Lily's financial problems. The Loanmining.com business increased North Lily's expenses without similarly increasing its revenues. North Lily was not able to successfully compete in this area due to competitors with more online experience, greater brand recognition, and much more capital than that of North Lily.

In addition to North Lily's attempts to diversify its business, the following activities also contributed to North Lily's financial situation:

In August 1994, a former corporate officer, George Holcomb filed a complaint against North Lily in the Superior Court for the County of Maricopa, Arizona. Mr. Holcomb sought vacation pay, which was not paid to him when his employment with the Company terminated, together with interest, treble damages, costs, and attorney fees. In June 1996, North Lily agreed to an initial payment of \$15,000 and a final

payment of \$80,000. North Lily and Mahogany were paying the cost of this settlement on a 50:50 basis. During 1996, the initial payment of \$15,000. In 1999, North Lily received a cash payment from Mahogany, assumed full responsibility for the Holcomb settlement and the Tintic Project reclamation, paid Mr. Holcomb in full, and received Mr. Holcomb's release of his rights against North Lily.

In late 1998, a complaint was filed against North Lily in the Fourth District Court, Juab County, State of Utah, alleging breach of a special warranty deed, breach of a terminated mining lease, and later attacking the validity of North Lily's royalty and land development interests retained in properties which had been acquired by the plaintiffs. North Lily vigorously defended the allegations. Pursuant to a Stipulated Settlement Agreement, Release And Order For Dismissal the complaint was dismissed. The agreement provides that North Lily will retain a one percent royalty on all the lands acquired by the plaintiffs.

Due to prior mining activities and especially due to ownership of properties on which mining occurred, North Lily has been required by Utah state environmental authorities to engage in environmental reclamation. In addition, North Lily has recently been required by the U.S. Environmental Protection Agency to provide substantial historic information concerning historic activities which occurred on properties previously owned by Anaconda and later merged into North Lily by Anaconda. North Lily will continue to comply with state and federal environmental requirements.

North Lily was previously listed on the NASDAQ and Small Cap market and then on the OTC bulletin board but was delisted due to a failure to meet SEC filing requirements. These delistings negatively impacted the market for the North Lily securities which made raising capital on the so-called "pink sheet" trading markets. North Lily seeks to utilize funds from land sales and related financing to catch up its audits and SEC filings so that it can resume trading on the OTC Bulletin Board.

North Lily and Xeres filed separate voluntary petitions for relief under Chapter 11 of the Bankruptcy Code on September 6, 2001.

DESCRIPTION OF ASSETS

The Debtors' assets consist of real and personal property associated with its business operations.

I. Real Property

Both North Lily and Xeres own real property located in the state of Utah. The Debtors' ownership interests consist of patented mining claims and fee lands. The patent procedure permits parties to purchase fee title to property from the Federal government. The inherent insecurities in title to unparented mining claims are remedied by achievement of a patented mining claim. The patent conveys exclusive rights to all the surface of the mining claim. Unless limited, a patent also conveys full ownership of surface resources in addition to underground resources (including water). A patent is the evidence of the decision of the United States government to relinquish all of its ownership rights to certain land to the patent recipient.

A. North Lily

The North Lily Property consists of a combination of Property held in fee ownership and patented mining claims. The total amount of acreage owned by North Lily is approximately 5,090 acres, comprised of nine distinct parcels. The Debtor estimated the fair market value of the North Lily acreage is at least \$721,000. In addition to various tax claims specified below, the North Lily property is encumbered as follows:

1. Avalanche Funding, LLC ("Avalanche") holds a pre-petition claim of approximately \$16,300 and a post-petition claim of at least \$180,000 secured by all Property owned by both North Lily and Xeres;
2. JBR Environmental Consultants, Inc. holds a claim of approximately \$66,944 secured by approximately 800 acres of real Property owned by North Lily;
3. Karen R. Prior holds a claim of approximately \$37,000 secured by approximately 800 acres of real Property owned by North Lily; and
4. Theodore Loud holds a claim of approximately \$15,000 secured by approximately 210 acres of real Property owned by North Lily.

B. Xeres

Xeres owns two parcels of real property with a total value of at least \$1,001,600. The Xeres Property generally consists of two parcels, the first parcel contains 1,680 acres with a value of at least \$873,600 and the second parcel contains approximately 640 acres with a value of at least \$128,000.

The Xeres real property is encumbered by a secured loan made to both Xeres and North Lily by Old West. The total amount due under the Old West Note is approximately \$553,000. The Old West loan encumbers all of the Xeres property and is in the first lien position. The Xeres real property is also encumbered by a U.S. Bank, N.A. loan in the amount of \$102,000. The claim of U.S. Bank, N.A. is secured by all of the Xeres property, and is in a second lien position behind Old West.

The chart below is a summary of the North Lily and Xeres real properties and their respective encumbrances according to parcel designation.

| | Paymaster | Southern 640 | Middle Patch | Elberta | Eureka |
|----------------------|--------------------------|-------------------------|-------------------------|-----------------------|----------------------|
| Owner | North Lily | Xeres | North Lily | Xeres | North Lily |
| Acres | 800 | 640 | 640 | 1680 | 210 |
| Interest | PMC | Fee | PMC | Fee | Fee |
| 1 st lien | Karen Prior \$37,000 | Old West \$553,000 | | Old West \$553,000 | Ted Loud \$15,000 |
| 2 nd lien | JBR Environ. \$66,944 | US Bank \$105,000 | | US Bank \$105,000 | |
| 3 rd lien | | | | | |
| scheduled value | \$168,000 | \$128,000 | \$80,000 | \$873,600 | \$63,000 |

| | Silver City | Homansville | Mammath | Red Cross | Southern Patch | Northern Patch |
|----------------------|-------------|-------------|------------|------------|----------------|----------------|
| Owner | North Lily | North Lily | North Lily | North Lily | North Lily | North Lily |
| Acres | 100 | 700 | 640 | 1520 | 320 | 160 |
| Interest | Fee | PMC | PMC | PMC | PMC | PMC |
| 1 st Lien | | | | | | |
| 2 nd Lien | | | | | | |
| 3 rd Lien | | | | | | |
| Scheduled Value | \$30,000 | \$87,500 | \$42,500 | \$190,000 | \$40,000 | \$20,000 |

II. Personal Property

A. North Lily

North Lily scheduled two bank accounts with a deposit of \$35,000 in one account, and a deposit of \$96 in the other as of September 6, 2001. North Lily scheduled a certificate of deposit in the amount of \$32,500 as a surety bond to the State of Utah for its environmental reclamation project. North Lily scheduled a lease deposit in the amount of \$1,500 related to its office space. North Lily scheduled a 96.5% interest in Xeres with a value of \$352,100. North Lily scheduled an investment in accounts receivable of Riverdale, LLC, et. al. in an unknown amount. North Lily scheduled a Note receivable secured by Deed of Trust due October 22, 2001 with a value of \$14,300. This Note was paid on its due date and is reflected in North Lily's monthly report. North Lily scheduled a Note receivable from Gene Webb dated June 29, 2001 in the amount of \$2,500. North Lily scheduled several contingent and unliquidated claims in unknown amounts as follows:

1. Claims for repayment of loan, damages, and interest against Captain's Management, David Lott, Richard Perlman and Jimmy Jin pursuant to a \$75,000 Secured Promissory Note Agreement dated

January 5, 2001, payable on January 19, 2001. North Lily never received the collateral for the loan, which was an interest in Riverdale, LLC accounts receivable;

2. Claims against former subsidiary manager for failure to deposit tax and FICA withholdings;
3. Claims for breach of contract, damages and interest against Riverdale, LLC ("Riverdale"), Telecontrol Systems, Inc. ("Telecontrol"), Richard Perlman, Mr. Sheldon, and Mr. Neuman pursuant to a \$43,000 investment for an assignment of \$60,000 in unencumbered Riverdale accounts receivable dated January 18, 2001. The accounts receivable were never fully assigned to North Lily. Riverdale filed for protection under Chapter 11 of the Bankruptcy Code in the Central District of California thereafter. North Lily anticipates filing a proof of claim in the Telecontrol bankruptcy case and is considering filing separate claims against Riverdale and related individuals;
4. Claims against Jane Blond Productions, Inc., Meg Elstner and Richard Perlman for failure of consideration, failure of performance, and for recoupment of 500,000 North Lily shares. The shares were issued pursuant to a Consulting Agreement related to corporate planning and debt restructuring which were not timely performed;
5. Claim against Keystone Surveys, et. al. for cloud on the title of Paymaster mining claims and for failure to convey water rights; and
6. Claim for shares for advances to Webb.

In addition, North Lily may have claims against Beverly Hills Consulting, Inc. and William Ferrante for failure of consideration and for recoupment of 400,000 shares of North Lily stock. The shares were issued pursuant to a Consulting Agreement dated January 31, 2001 for credit card business development services which were not timely performed.

North Lily may have claims for failure of consideration, damages and recoupment of 1,000,000 shares of North Lily restricted common stock against BCD USA, BCD Group, Inc., Richard Perlman and Franklin Capital Corporation. The shares were issued in June 2000 pursuant to a Joint Venture Agreement, a related commercial lending arrangement, and a \$125,000 payment. North Lily instructed the transfer agent not to process any further transfer of shares, the Joint Venture Agreement was never

executed, the \$125,000 never paid to North Lily, and the 1,000,000 shares were never returned to North Lily.

North Lily may also have claims against J and S Consulting and Howard Haber for failure of consideration and for recoupment of 400,000 shares of North Lily stock. The shares were issued pursuant to a Consulting Agreement dated January 31, 2001 for commercial paper business development services which were not timely performed.

North Lily may also have claims against Stockbroker Relations of Colorado for failure of consideration and for recoupment of 200,000 shares of Rule 144 restricted stock. The shares were issued pursuant to an agreement for stockbroker relations services which were not performed.

North Lily may also have claims against Apple Consulting USA, Inc. for failure of consideration and recoupment of 200,000 shares of Rule 144 restricted stock. The shares were issued pursuant to an agreement for marketing services which were not performed.

North Lily may also have claims against CLD Investor Relations, Inc. for failure of consideration and for recoupment of 200,000 shares of Rule 144 restricted stock. The shares were issued pursuant to an agreement for investor relations services which were not performed.

North Lily may also have claims against James Stockwell Corporation for failure of consideration and for recoupment of 200,000 shares of Rule 144 restricted stock. The shares were issued pursuant to an agreement for Internet and e-mail services which were not performed.

North Lily may also have claims against Grant Douglas Publishing for failure of performance of publishing services pursuant to an agreement dated January 2001. North Lily may seek recoupment of 200,000 shares of Rule 144 restricted stock which were issued in consideration for publishing services.

North Lily may have further claims against Richard Perlman and/or other entities/individuals for various other matters currently being reviewed by litigation counsel.

In addition to the above referenced claims, North Lily scheduled four computers, desks and miscellaneous office equipment with a value of \$1,000. North Lily scheduled miscellaneous supplies with a value of \$200.

1. Xeres

Xeres does not own and did not schedule any significant personal property.

DESCRIPTION OF LIABILITIES

I. PRIORITY CLAIMS

Claims of the type specified in 11 U.S.C. § 507(a)(1) of the Code, including costs and expenses of administration, have been incurred and will be paid in full on the Effective Date of the Plan. These costs include the professional fees incurred during the case which remain unpaid. North Lily provided Kutner Miller Kearns, P.C. with a retainer in the amount of \$14,707 for post-petition services. The Debtors estimate that the total legal fees and costs as of the estimated date on which the Plan will become effective, June 1, 2002 will be \$30,000. This amount will be due in addition to \$14,707 which will be paid with the retainer.

North Lily is engaging Wheeler Wassoff, P.C. ("Wheeler Wassoff") to perform bookkeeping services. Wheeler Wassoff is to receive a retainer in the amount of \$7,000. To date, North Lily has not paid Wheeler Wassoff for post-petition services, and expects that the total bookkeeping fees as of the estimated Plan confirmation date will be approximately \$7,000. This amount will be due in addition to \$7,000 which will be paid as the retainer.

North Lily engaged Hein & Associates to perform an audit of financial records. Hein & Associates is to receive a retainer in the amount of \$6,000. To date, North Lily has not paid Hein & Associates for post-petition services, and expects that the total accounting fees as of the estimated Plan confirmation date will be approximately \$18,000. This amount will be due in addition to \$6,000 which will be paid with the retainer.

North Lily engaged Patton Boggs as general counsel to perform securities work. To date, North Lily has paid Patton Boggs \$346.94 for post-petition services, and expects that the total fees as of the estimated Plan confirmation date will be approximately \$5,000.

North Lily continued to engage the services of JBR Environmental to perform certain environmental reclamation and EPA response work. To date, North Lily has paid JBR Environmental \$5,800² for post-petition services, but expects that the total fees for reclamation monitoring services as of the estimated Plan confirmation date will be paid by the reclamation surety bond assigned to JBR Environmental. The bond assignment is more fully explained below.

North Lily has scheduled, and/or the creditors have filed, a number of pre-petition priority claims including a debt of \$1,676 to the Colorado Department of Revenue for withholding taxes due as a result of the Loanmining.com business, a debt of \$25,846.09 to the Internal Revenue Service ("IRS") for 2000 withholding taxes, a debt of \$26,402.12 to the IRS for 1999-2001 withholding taxes, and \$2,645.05 to the Utah State Tax Commission for 2000-2001 withholding taxes.

North Lily has two priority unsecured insider wage claimants. The first claim is for Stephen E. Flechner, an insider and Chief Executive Officer, and the second claim is for W. Gene Webb, an insider and Executive Vice President and Secretary. Each of these priority debts is \$4,300.

Xeres did not schedule any pre-petition priority claims.

II. SECURED CLAIMS

A. NORTH LILY SECURED CLAIMS

1. Avalanche Funding, Inc. ("Avalanche") or TSG

Avalanche holds a secured claim in the amount of \$16,300 which is evidenced by an Amended and Restated Promissory Note dated December 21, 2001. The amount of the claim is the amount of the pre-petition loan advance provided to the Debtors. The Avalanche Funding claim is secured by liens on all North Lily and Xeres real property. North Lily expects to receive post-petition loans from Avalanche up to an additional \$180,000. The post-petition loans were approved by the Court.

²North Lily forwarded JBR Environmental \$4,300 to cover costs of revegetation required by the state of Utah. The \$4,300 will be reimbursed to North Lily out of the reclamation bond now assigned to JBR Environmental. North Lily paid \$1,500 paid to JBR for research services required by the EPA.

2. JBR Environmental Consultants, Inc. ("JBR Environmental")

North Lily has been required to complete reclamation work at one property. This work began pre-petition and has continued post-petition. JBR Environmental was engaged to do this work. North Lily paid JBR Environmental through executing a Promissory Note in the amount of \$66,944 which is secured by a Deed of Trust recorded August 24, 2001 in favor of JBR Environmental. JBR Environmental is secured by North Lily's patented mining claims on 800 acres of real property labeled "Paymaster." JBR Environmental holds an equal position to Ms. Prior's interests in this parcel, which parcel is valued at \$168,000. JBR Environmental and Ms. Prior's liens would share foreclosure on sale proceeds equally until pay off of Ms. Prior's lien.

3. Juab County Treasurer

The Juab County Treasurer holds a secured claim in the amount of \$9,382 for pre-petition property taxes on real properties dating from 1997 to the petition date, September 6, 2001. This lien is secured by North Lily property.

4. Karen R. Prior

Ms. Prior holds a secured claim in the amount of \$37,000. This claim is secured by a Note and Deed of Trust dated January, 2001 with a lien on North Lily's Paymaster parcel. Ms. Prior holds an equal position to JBR Environmental's interests in this parcel, which parcel is valued at \$168,000. JBR Environmental and Ms. Prior's liens would share foreclosure on sale proceeds equally until pay off of Ms. Prior's lien.

5. Theodore E. Loud

Mr. Loud holds a secured claim in the amount of \$15,000 which is evidenced by a Note dated August 21, 2001 and an accompanying Deed of Trust dated August 22, 2001. Mr. Loud's claim is secured by a 210 acre parcel of property labeled "Eureka" valued at \$63,000.

6. Utah County Treasurer

The Utah County Treasurer holds a secured claim in the amount of \$24,868 for property taxes accrued between 1997 to the petition date, September 6, 2001. This lien is secured by North Lily real property.

B. XERES SECURED CREDITORS

1. Juab County Treasurer

The Juab County Treasurer holds a secured claim for real property taxes in the amount of \$1,100. The taxes are accrued for the years 1999-2000 and are secured by Xeres property.

2. Old West

Old West holds a secured claim in the amount of \$545,000 which is evidenced by a Note and Deed of Trust dated December 29, 2000. Accrued interest as of June 1, 2002 is estimated to be \$ _____. Old West is secured by two parcels of Xeres real property. One parcel is labeled "Southern 640" and consists of 640 acres valued at \$128,000. The second parcel is labeled "Elberta" and consists of 1,680 acres, valued at \$873,600. Xeres has a fee simple interest in these parcels. Old West holds the first lien position on these parcels. North Lily is also a borrower on the Note, however, North Lily's obligation is not secured.

3. U.S. Bank

U.S. Bank holds a secured claim which is evidenced by a Note and Deed of Trust in the amount of approximately \$102,000. Accrued interest as of June 1, 2002 is estimated to be \$13,284.³ U.S. Bank is secured by the Southern 640 and Elberta parcels. U.S. Bank holds the second lien position on these parcels, which are valued at \$128,000 and \$873,600, respectively.

4. Utah County Treasurer

The Utah County Treasurer holds a secured claim for real property taxes on Xeres real property in the amount of \$1,400. The taxes are accrued for the years 1999-2000 and are secured by Xeres property.

5. Avalanche Funding, Inc.

Avalanche holds a secured claim in the amount of \$16,300 which is evidenced by an Amended and Restated Promissory Note dated December 21, 2001. The amount of the claim is the amount of the pre-petition loan advance provided to the Debtors. As previously discussed, the amount of the post-petition

³ The per diem rate on this note is \$27.39.

loan is estimated to be at least \$180,000. The Avalanche Funding claim is secured by liens on all North Lily and Xeres real property.

III. NON-PRIORITY UNSECURED CLAIMS

The Debtors have a number of unsecured pre-petition debts. Some of these unsecured creditors have filed Proofs of Claim. A bar date to file proofs of claim has been set as _____, 2002. Creditors have until this date to file a proof of claim. The Debtor has compiled a list of the claims which it scheduled in the bankruptcy case and the claims currently filed by creditors. To the extent that a creditor who was scheduled by the Debtors files a claim, the amount of the claim as filed by the creditor is counted in the analysis. The claims list containing all known unsecured claims for North Lily and Xeres are attached to this Disclosure Statement as Exhibit A. The amount of unsecured debt for North Lily which will likely be allowed is presently estimated at no more than \$1,157,000. The amount of this unsecured debt will likely be reduced to approximately \$983,026 due to the large amount of subsidiary debt included in the North Lily schedules. The amount of unsecured debt for Xeres which will likely be allowed is presently estimated at no more than \$40,000, all of which is held by North Lily.

IV. UNEXPIRED LEASES AND EXECUTORY CONTRACTS

The following is a list of the Debtors' unexpired leases and executory contracts. The Debtors filed a Motion For Assumption of Executory Contract and Unexpired Lease, Approval of Post-Petition Borrowing and Authorization for Sale of Property Out of the Ordinary Course of Business to The Standard Group, Inc./Avalanche. The Debtors also filed a Assume Executory Contract with JBR Environmental. The motions are explained in detail below.

A. North Lily

| | | |
|------------------------------------|--|--------|
| Avalanche/The Standard Group, Inc. | Borrowing/Marketing/Purchasing Agreement | Assume |
| Glenarm 1800 LLC: office lease | Office Lease | |
| HMO Colorado/Anthem Blue Cross | Health Insurance | Assume |
| IKON Capital/IOS Capital | Equipment Lease | |

| | | |
|-------------------------------------|----------------------|--------|
| JBR Environmental Consultants, Inc. | Reclamation Services | Assume |
| The Delta Dental Plan of Colorado | Health Insurance | Assume |
| W. Gene Webb | Employment Agreement | |
| Stephen E. Flechner | Employment Agreement | |

B. Xeres

| | | |
|------------------------------------|--|--------|
| Avalanche/The Standard Group, Inc. | Borrowing/Marketing/Purchasing Agreement | Assume |
| Redshore Properties, Inc. | Operating Agreement | Assume |

DESCRIPTION OF THE PLAN

The Debtors filed their Plan, as amended, with the United States Bankruptcy Court for the District of Colorado on January 4, 2002. The Plan provides for the reorganization of North Lily and Xeres. Funding for the Plan will be derived primarily from an Agreement with the Standard Group, LLC ("TSG"). Pursuant to this agreement, TSG has a nine month option to acquire all or part of the Debtors' real property. In the event that TSG does not exercise sufficient options to allow the Debtors to pay off all secured and unsecured debt to the extent provided in the Plan, following the expiration of the option, the Debtors will either sell or refinance the remaining real property to the extent necessary to satisfy their obligations under the Plan.

The Plan provides for the specification and treatment of all creditors and interest holders of the Debtors. The Plan identifies whether each class is impaired or unimpaired. A class is unimpaired only if the Plan leaves unaltered the legal, equitable or contractual obligations between the Debtors and the unimpaired claimants or interest holders. The following is a brief summary of the Plan. The actual text of the Plan should be reviewed for more specific detail.

Priority Claims

The holders of allowed claims of the type specified in Section 507(a)(1) of the Code, costs and expenses of administration, shall receive cash equal to the allowed amount of such claim or a lesser amount as may be acceptable and agreed to by particular holders of such claims. Such claims shall be paid in full

on the Effective Date of the Plan. Section 507(a)(1) claims that are allowed by the Court after the Effective Date of the Plan shall be paid within ten (10) days of their allowance.

The allowed claims of a type specified in Section 507(a)(8) of the Code, claims of governmental taxing authorities, shall be paid on the Effective Date of the Plan.

Any holder of a tax claim of a type specified in Section 507(a)(8) of the Code who is secured by assets of the Debtor by virtue of a statutory lien shall retain their statutory lien position, until the tax claim is paid, following confirmation of the Plan.

The Debtors will make all payments required to be paid to the U.S. Trustee pursuant to 28 U.S.C. §1930(a)(6) until the cases are closed, converted, or dismissed. All payments due to the U.S. Trustee pursuant to 28 U.S.C. §1930(a)(6) shall be paid on the Effective Date of the Plan, and the U.S. Trustee shall thereafter be paid fees due on a quarterly basis until the cases are closed, converted, or dismissed.

The holders of claims which are costs and expenses of administration shall receive cash equal to the allowed amount of the claim on the Effective Date of the Plan. Any cost and expense of administration claim which is allowed by the Court after the Effective Date of the Plan will be paid following its allowance. The Debtors expect that the following creditors will hold claims which constitute unpaid cost and expense of administration claims as of the confirmation date of the Plan estimated as June 1, 2002.

| <u>Claimant</u> | <u>Nature of Claim</u> | <u>Claim Amount</u> |
|----------------------------|-------------------------------|----------------------|
| Kutner Miller Kearns, P.C. | Legal Fees-Bankruptcy Counsel | \$30,000 (estimated) |
| Wheeler Wassoff | Bookkeeping Services | \$7,000 (estimated) |
| Hein and Associates | Audit Services | \$18,000 (estimated) |
| Patton Boggs | Legal Fees - Securities Work | \$5,000 (estimated) |

All administrative expense claims of professionals are subject to Court approval on notice to creditors with an opportunity for a hearing. Certain professional fees may be paid pursuant to interim fee applications and upon Court allowance. The fees set forth above are the total fees expected in the case as of the confirmation date. Kutner Miller Kearns, P.C. received a retainer from the Debtor in the amount

of \$14,707 for post-petition services. This money was used pursuant to a court order allowing KMK to draw down 75% of the fees and 100% of the costs on a monthly basis. KMK has incurred additional fees in excess of those amounts paid with the retainer. The amount set forth above as expected due on the confirmation date does not include fees and costs paid from the retainer amounts.

The following specifies the classes of creditors and their treatment under the Plan. The North Lily creditors are designated "NL" and Xeres creditors are designated "X."

Class NL1: Priority, Wage and Benefit Plan Claims

Employees with priority wage claims against North Lily will be paid in full on the Effective Date of the Plan. The priority wage claims are those claims which arose within the 90 day period preceding the filing of the Debtors' Chapter 11 cases. Each priority claim for wages can be allowed up to the maximum amount of approximately \$4,300. Class NL 1 consists of two insiders. The allowed Class NL1 claims shall be paid in full on the Effective Date of the Plan. The Class NL1 claims for certain pre-petition wages and employee claims are more particularly described in Sections 507(a)(3), 507(a)(4), and 507(a)(5) of the Code.

Class NL2: The Standard Group/ Avalanche Funding.

Classes NL2 and X3 consist of the allowed secured claims of The Standard Group/ Avalanche Funding. Classes NL2 and X3 are unimpaired by the Plan.

Class NL3: Karen Prior.

Class NL3 consists of the allowed secured claim of Karen Prior. Class NL3 is impaired by the Plan. The principal amount of the Class NL3 claim will be allowed in the amount of either \$37,000, an amount to be determined by the Court at the confirmation hearing, or an amount agreed upon by the Debtor and the Class NL3 claimant on or before the Confirmation Date. Pursuant to 11 U.S.C. §506, the claim is secured up to the value of the collateral for the claim and unsecured for the balance. That portion of the claim which is unsecured shall be treated as a Class NL7 claim. The Class NL3 claim will bear interest at

the rate of: (i) 7% per annum commencing on the Effective Date of the Plan; or (ii) if the Class NL3 claimant objects to such rate in writing and serves a copy of such objection on the Debtor at least fifteen (15) days prior to the commencement of the confirmation hearing, such rate will be determined by the Court as necessary to satisfy the requirements of 11 U.S.C. § 1129(b) of the Code; or (iii) such other rate as agreed by Debtor and the Class NL3 claimant. The Class NL3 claim will be paid in full on the earlier of either the date on which the land securing the NL3 claim is sold or eighteen months following the Effective Date of the Plan. The Class NL3 claimant will retain all liens that secured its claim as of the petition date.

Class NL4: JBR Environmental.

Class NL4 consists of the allowed secured claim of JBR Environmental. Class NL4 is impaired by the Plan. The principal amount of the Class NL4 claim will be allowed in the amount of either \$66,944, an amount to be determined by the Court at the confirmation hearing, or an amount agreed upon by the Debtor and the Class NL4 claimant on or before the Confirmation Date. Pursuant to 11 U.S.C. § 506, the claim is secured up to the value of the collateral for the claim and unsecured for the balance. That portion of the claim which is unsecured shall be treated as a Class NL7 claim. The Class NL4 claim will bear interest at the rate of: (i) 7% per annum commencing on the Effective Date of the Plan; or (ii) if the Class NL4 claimant objects to such rate in writing and serves a copy of such objection on the Debtor at least fifteen (15) days prior to the commencement of the confirmation hearing, such rate will be determined by the Court as necessary to satisfy the requirements of 11 U.S.C. § 1129(b) of the Code; or (iii) such other rate as agreed by Debtor and the Class NL4 claimant. The Class NL4 claim will be paid in full on the earlier of either the date on which the land securing the NL4 claim is sold or eighteen months following the Effective Date of the Plan. The Class NL4 claimant will retain all liens that secured its claim as of the petition date.

Class NL5: Theodore Loud.

Class NL5 consists of the allowed secured claim of Theodore Loud. Class NL5 is impaired by the Plan. The principal amount of the Class NL5 claim will be allowed in the amount of either \$15,000 or an amount to be determined by the Court at the confirmation hearing, or an amount agreed upon by the Debtor and the Class NL5 claimant on or before the Confirmation Date. Pursuant to 11 U.S.C. §506, the claim is secured up to the value of the collateral for the claim and unsecured for the balance. That portion of the claim which is unsecured shall be treated as a Class NL7 claim. The Class NL5 claim will bear interest at the rate of: (i) 7% per annum commencing on the Effective Date of the Plan; or (ii) if the Class NL5 claimant objects to such rate in writing and serves a copy of such objection on the Debtor at least fifteen (15) days prior to the commencement of the confirmation hearing, such rate will be determined by the Court as necessary to satisfy the requirements of 11 U.S.C. § 1129(b) of the Code; or (iii) such other rate as agreed by Debtor and the Class NL5 claimant. The Class NL5 claim will be paid in full on the earlier of either the date on which the land securing the NL5 claim is sold or eighteen months following the Effective Date of the Plan. The Class NL5 claimant will retain all liens that secured its claim as of the petition date.

Class NL6 (a) and (b): Utah and Juab County Treasurers.

Class NL6(a) and (b) consist of the allowed secured claims of the Utah and Juab County Treasurers. Classes NL6(a) and (b) are impaired by the Plan. The principal amount of the Class NL6(a) and (b) claims will be allowed in the amount due on the Effective Date of the Plan in accordance with applicable Utah law. The Class NL6(a) and (b) claims will bear interest at the rate of: (i) 6% per annum commencing on the Effective Date of the Plan; or (ii) if the Class NL6(a) and (b) claimants object to such rate in writing and serves a copy of such objection on the Debtor at least fifteen (15) days prior to the commencement of the confirmation hearing, such rate will be determined by the Court as necessary to satisfy the requirements of 11 U.S.C. § 1129(b) of the Code; or (iii) such other rate as agreed by Debtor and the Class NL6(a) and (b) claimants. The Class NL6(a) and (b) claims will be paid in full on the earlier of either the day the real property securing the claims is sold or two years from the Effective Date of the Plan. The Class NL6(a) and (b) claimants will retain all liens that secured the claim as of the petition date.

Class X1: Old West.

Class X1 consists of the allowed secured claim of Old West. Class X1 is impaired by the Plan. The principal amount of the Class X1 claim will be allowed in the amount of the claim amount filed by the class X1 claimant, or an amount to be determined by the Court at the confirmation hearing, or an amount agreed upon by the Debtor and the Class X1 claimant on or before the Confirmation Date. Pursuant to 11 U.S.C. §506, the claim is secured up to the value of the collateral for the claim and unsecured for the balance. That portion of the claim which is unsecured shall be treated as a Class X5 claim. The Class X1 claim will bear interest at the rate of: (i) 7% per annum commencing on the Effective Date of the Plan; or (ii) if the Class X1 claimant objects to such rate in writing and serves a copy of such objection on the Debtor at least fifteen (15) days prior to the commencement of the confirmation hearing, such rate will be determined by the Court as necessary to satisfy the requirements of 11 U.S.C. § 1129(b) of the Code; or (iii) such other rate as agreed by Debtor and the Class X1 claimant. The Class X1 claim will be paid in full on the earlier of either the date on which the land securing the X1 claim is sold or eighteen months following the Effective Date of the Plan. The X1 claim may be prepaid at any time without premium or penalty. The X1 claimant shall provide the Debtor with partial releases of its mortgage or trust deed as individual parcels of property which secure the claim are sold provided that the individual release prices for each parcel which serves as collateral shall be determined in accordance with the loan documents which evidence the X1 claim, except to the extent modified herein. The Class X1 claimant will retain all liens that secured its claim as of the petition date.

Class X2: US Bank.

Class X2 consists of the allowed secured claim of US Bank. Class X2 is impaired by the Plan. The principal amount of the Class X2 claim will be allowed in the amount of the claim amount filed by the Class X2 claimant or an amount to be determined by the Court at the confirmation hearing, or an amount agreed upon by the Debtor and the Class X2 claimant on or before the Confirmation Date. Pursuant to 11 U.S.C. §506, the claim is secured up to the value of the collateral for the claim and unsecured for the balance.

That portion of the claim which is unsecured shall be treated as a Class X5 claim. The Class X2 claim will bear interest at the rate of: (i) 7% per annum commencing on the Effective Date of the Plan; or (ii) if the Class X2 claimant objects to such rate in writing and serves a copy of such objection on the Debtor at least fifteen (15) days prior to the commencement of the confirmation hearing, such rate will be determined by the Court as necessary to satisfy the requirements of 11 U.S.C. § 1129(b) of the Code; or (iii) such other rate as agreed by Debtor and the Class X2 claimant. The Class X2 claim will be paid in full on the earlier of either the date on which the land securing the X2 claim is sold or eighteen months following the Effective Date of the Plan. The X1 claim may be prepaid at any time without premium or penalty. The Class X2 claimant will retain all liens that secured its claim as of the petition date.

Class X3: The Standard Group/ Avalanche Funding.

Classes X3 and NL2 consist of the allowed secured claims of The Standard Group/ Avalanche Funding. Classes X3 and NL2 are unimpaired by the Plan.

Class X4: Utah County Treasurer.

Class X4 consists of the allowed secured claim of the Utah County Treasurer. Class X4 is impaired by the Plan. The principal amount of the Class X4 claim will be allowed in the amount due on the Effective Date of the Plan in accordance with applicable Utah law. The Class X4 claim will bear interest at the rate of: (i) 6% per annum commencing on the Effective Date of the Plan; or (ii) if the Class X4 claimant objects to such rate in writing and serves a copy of such objection on the Debtor at least fifteen (15) days prior to the commencement of the confirmation hearing, such rate will be determined by the Court as necessary to satisfy the requirements of 11 U.S.C. § 1129(b) of the Code; or (iii) such other rate as agreed by Debtor and the Class X4 claimant. The Class X4 claims will be paid in full on the earlier of either the day the real property securing the claims is sold or two years from the Effective Date of the Plan. The Class X4 claimant will retain all liens that secured its claim as of the petition date.

Classes NL7 and X5: Creditors who hold allowed unsecured claims.

Classes NL7 and X5 are impaired under the Plan. Each Class NL7 and X5 creditor will have the option to select one of three alternative treatments under the Plan. The election of treatment shall be made on the Ballot used for voting on the Plan. The options are as follows:

1. **Option One:** Each Class NL7 and X5 claimant shall have the option of converting their claim to stock in the reorganized North Lily. New shares of stock in North Lily shall be issued after the Effective Date of the Plan.⁴ The shares will be issued on a dollar for dollar basis (one share of stock for each dollar of allowed claim) to those Class NL7 and X5 claimants who have notified the Debtors, in writing, prior to the confirmation hearing that they would like to have shares of stock issued to them on account of their claims. Each electing claimant who requests stock will have their claim satisfied with stock and will not receive any cash distribution.

2. **Option Two:** Each Class NL7 and X5 claimant shall have the option of receiving cash on account of their claim. Each electing claimant shall receive \$.35 on account of each dollar of allowed claim. Payment will be made from 50% of the Net Proceeds of each parcel of real property sold by the Debtor. The 50% of Net Proceeds payment will be made to electing claimants on a pro-rata basis until each such claimant has received payment of thirty five percent of their allowed claim. Notwithstanding the foregoing, each electing claimant will be paid their thirty five percent payment to satisfy their claim no later than two years following the Effective Date of the Plan.

3. **Option Three:** Option three is a combination of Options One and Two. Each Class NL7 and X5 claimant shall have the option of receiving a combination of cash and stock in the reorganized North Lily. Each electing claimant shall receive \$.20 on account of each dollar of allowed claim. Payment will be made from 50% of the Net Proceeds of each parcel of real property sold by the Debtor. The 50% of Net Proceeds payment will be made to electing claimants on a pro-rata basis until each such claimant has received payment of twenty percent of their allowed claim. Notwithstanding the foregoing, each electing claimant will be paid their twenty percent payment to satisfy twenty percent of their claim no later than two

⁴The issuance of new shares will occur after the North Lily stock has been rolled back ten for one to pre-petition shareholders. As a result, there will be 90% fewer shares outstanding post-confirmation compared with the pre-petition shares outstanding.

years following the Effective Date of the Plan. In addition to cash, each electing claimant shall receive the balance of their claim stock. New shares of stock in North Lily shall be issued after the Effective Date of the Plan. The shares will be issued on a dollar for dollar basis (one share of stock for each dollar of remaining allowed claim) to those Class NL7 and X5 claimants who have notified the Debtors, in writing, prior to the confirmation hearing that they elect Option Three. Each electing claimant who chooses Option Three will have their claim satisfied eighty percent with stock and a twenty percent with a cash distribution as described above. For example, a general unsecured creditor with an allowed claim of one hundred dollars who chooses Option Three shall receive \$20 and eighty shares of stock.

Class X6: Allowed interests held by the preconfirmation members of Xeres

Class X6 is unimpaired by this Plan.

Class NL8: The allowed interests held by the preconfirmation shareholders of North Lily

Class NL8 is impaired by this Plan. On the Effective Date of the Plan, the outstanding shares of stock held by each shareholder of record shall be reduced by 90%. The result will be a 10 for 1 reverse split of North Lily's outstanding shares of common stock. In the event that the reverse split results in a shareholder who would own less than 100 shares, an odd lot, the shareholder will have the right to purchase additional shares at a price determined by North Lily on the Confirmation Date, sufficient to provide the shareholder with 100 shares. In the event the shareholder does not purchase additional shares, all of the shareholder's outstanding shares shall be canceled.

As of the date of this Disclosure Statement there are 18,604,932 shares⁵ of North Lily common stock, issued and outstanding. Following Plan confirmation the number of shares of common stock issued and outstanding will be 1,860,493 plus the number of shares issued to creditors who elect to receive shares in satisfaction of all or part of their claim.

⁵ This number includes the shares North Lily intends to recoup based on its various claims against certain shareholders for non-performance of services.

Secured Creditor Option to Receive Stock

Each secured creditor or administrative expense claimant shall be given the option to elect to receive stock in North Lily at the rate of two shares of stock for each dollar of allowed claim in lieu of all or part of the treatment set forth in Articles IV and VI. Election shall be made at the time creditors vote on the Plan. Each electing secured creditor must release their lien and secured claim at the time their stock is issued.

Cancellation of Pre-Petition Stock Options

On the Effective Date of the Plan, all outstanding stock options and warrants shall be canceled or rejected as executory contracts and of no further force or effect. Cancellation or rejection of the stock options and warrants shall occur pursuant to the Plan.

PLAN FEASIBILITY

The Debtors believe that the Plan, as proposed, is feasible. The Debtors will remain in their existing business following confirmation of the Plan. The business consists of but will not be limited to development and sale of real property holdings, possible development of clay deposits, reclamation activities, entry into mining leases or joint ventures and easements with respect to real property holdings. North Lily is currently exploring additional business opportunities that come to the attention of management with a view toward entering into new business ventures or taking advantage of corporate opportunities with the goal of maximizing value for creditors and shareholders.

The Debtors are assuming pursuant to the Plan, their Letter of Agreement dated on or about August 28, 2001 with TSG. This Agreement was previously approved during the course of the Chapter 11 case. Pursuant to the Agreement, TSG has certain funding obligations and a nine month option to acquire all or part of the Debtors' real property. In the event that TSG does not exercise sufficient options to allow the Debtor to pay off all secured and unsecured debt to the extent provided in this Plan, following expiration of the option, the Debtors will either sell or refinance the remaining real property to the extent necessary to satisfy their obligations under the Plan.

In the event that TSG does not exercise its option to acquire the Debtors' real property, the Debtors will have a limited window of months to sell sufficient land to pay creditors. There is no guarantee that land can be sold at prices equal to the TSG option prices. Land may have to be sold at reduced prices or at auction in order to generate needed sales. The receipt of lower prices for land sales may make it difficult to pay all creditors as scheduled, particularly if creditors do not elect the stock alternatives under the Plan.

Attached to this Disclosure Statement as Exhibit B is the Debtors' projection of its operations through the year 2003. The Debtors expect to meet their expenses of operation with the loan proceeds provided by TSG and through the sale of the real property.

The Debtor has also included its financial statements for the year 2001 as Exhibit C to enable creditors to review historic operating results.

TAX CONSEQUENCES

The Debtors are not providing tax advice to creditors or interest holders. Each party affected by the Plan should consult its own tax advisor for information as to the tax consequences of Plan confirmation. Generally, unsecured creditors should have no tax impact as a result of Plan confirmation. The recovery of each creditor is payment on account of a debt and generally not taxable, unless the creditor wrote off the debt against income in a prior year in which case income may have to be recognized. Interest holders may have very complicated tax effects as a result of Plan confirmation.

POST-CONFIRMATION MANAGEMENT

The current officers of North Lily and managers of Xeres will retain their positions post petition. Stephen E. Flechner is the Chief Executive Officer and Director of North Lily, and a Manager of Xeres. W. Gene Webb is the Executive Vice President, Secretary and Director of North Lily and a Manager of Xeres. A brief background of the Debtors' post-petition management team is as follows:

Stephen E. Flechner, Chief Executive Officer, President and Director, Manager of Xeres

Mr. Flechner earned a Bachelor of Art degree at New York University in Economics and Political Science in 1964, and a Juris Doctor degree at Yale Law School in 1967. From 1967 to 1979, Mr. Flechner served as general counsel in two multi-division international corporations listed on the New York Stock Exchange, after working at two prominent New York corporate law firms practicing corporate, securities, and merger and acquisitions law. Mr. Flechner has been actively involved in mining and related fields since 1979. From 1979 to 1993, Mr. Flechner was Vice President and General Counsel of Gold Fields Mining Corporation where he helped build a 20 person gold exploration team into a 1200 person company with revenues in excess of \$170 million, net profits in excess of \$70 million, and an eventual resale price of over half a billion dollars. From 1993 to 1997, Mr. Flechner served in various positions, including positions of president and chairman of Prospec Mining Inc. where he raised \$10 million on the Vancouver Stock Exchange for silver and gold exploration. Mr. Flechner has served as the Chief Executive Officer, President and Director of North Lily since May, 1994.

W. Gene Webb, Executive Vice Pres., Secretary and Director of North Lily; Manager of Xeres

Mr. Webb earned his Bachelor of Science degree in finance and accounting from the University of Colorado in 1971. Mr. Webb has been actively involved in mining and related fields since 1963. He has been the president and a director of Ferret Exploration Company Inc. in Denver since 1978 and the vice president and director of Tellis Gold Mining Company in Vancouver since 1989. From 1989 until 1994 Mr. Webb was also the president and director of Canadian Industrial Minerals Corporation, an oil, gas and mining company based in Denver. During his mining ventures, Mr. Webb raised almost \$40 million in four years for Western Goldfields Mining Company, of which he was an officer, director and shareholder. He was then instrumental in selling that company for \$175 million. Mr. Webb was involved in a number of different fund raising ventures throughout his career. Mr. Webb has served as the Executive Vice President, Secretary, and Director of North Lily since May, 1994.

EVENTS DURING THE CHAPTER 11 CASE

Operations

North Lily has continued to operate its business throughout the Chapter 11 case. Operating statements, as amended, have been filed with the U.S. Trustee's Office and the Court on a monthly basis. These operating statements have indicated monthly gross revenue and earnings as follows:

North Lily

| <u>Month</u> | <u>Gross Revenues</u> | <u>Net Income Before Tax</u> ⁶ |
|-----------------|-----------------------|---|
| September, 2001 | \$2,000 | \$(31,531) |
| October, 2001 | 2,000 | (47,137) |
| November, 2001 | 2,000 | (34,301) |
| December, 2001 | 2,055 | (62,341) |

Xeres

| <u>Month</u> | <u>Gross Revenues</u> | <u>Net Income Before Tax</u> |
|-----------------|-----------------------|------------------------------|
| September, 2001 | \$0 | \$(2,000) |
| October, 2001 | 0 | (2,013) |
| November, 2001 | 0 | (2,010) |
| December, 2001 | 0 | (2,010) |

The Standard Group, LLC

On October 10, 2001, the Debtors filed a Motion For Assumption of Executory Contract and Unexpired Lease, Approval of Post-Petition Borrowing and Authorization for Sale of Property Out of the Ordinary Course of Business to the Standard Group, LLC or its affiliate, Avalanche Funding, LLC ("TSG Motion"). The Debtors entered into a pre-petition Letter Agreement ("TSG Agreement") with the Standard Group, LLC ("TSG") and its affiliates to market and sell the Debtors' real property and provided the Debtors with financing on a pre and post petition basis. The TSG Agreement provided the following:

- TSG would provide the Debtors with a \$200,000 commitment, plus anticipated closing and title related costs, to finance its Chapter 11 case; and

⁶ This amount includes accruals for unpaid salary.

- The Debtors would lease its real property to TSG with the grant to TSG of an option to purchase specific parcels of the real property at pre-determined option prices per acre of land sold.

The terms of the financing are as follows:

- \$20,000 plus anticipated closing, legal and title related costs to be advanced to the Debtor in a secured Promissory Note basis, the collateral for the Note is the Debtors' real property. The loan origination fee is 10% and the interest rate on the Note is 18% per annum. The term of the Note is fifteen months. Some \$16,300 of the anticipated closing and title related costs was advanced to the Debtor pre-petition pursuant to a Promissory Note and Deed of Trust.

- \$80,000 to be advanced to the Debtor on a secured Promissory Note basis and will have the same collateral as set forth above. The origination fee for this portion of the loan is 5% and the interest rate is 15% per annum. Monthly payments are due on account of this portion of the loan at the rate of \$1,260 per month and the entire Note matures in 12 months.

- \$100,000 to be advanced to the Debtor on a secured Promissory Note basis utilizing the same collateral as the prior two loans. The origination fee for this Note is 5% and the interest rate is 15% per annum. Monthly payments of \$2,000 per month are due on account of this tranche and the entire outstanding balance matures in 12 months.

The TSG Agreement also provided TSG with an option to purchase the Debtor's real property at pre-determined prices per square foot. The purchase price varies per parcel with a price based upon the desirability of the underlying real estate. The Agreement provides that in the event TSG purchases land under its option and sells the same land for a price in excess of the option price during the 12 months following the acquisition from the Debtors, the Debtors may share in additional compensation pursuant to a formula set forth in the TSG Agreement.

Under the TSG Agreement, the Debtors have no real estate commissions to pay upon TSG's exercise of each option. Similarly, the Debtors will not incur any marketing charges or other costs which will likely be incurred by TSG as they try to resell the optioned Property. The Debtors also retain its normal royalty reservations in the remote event that minerals including water were later commercially

produced from the properties. The elimination of these costs and such items justify the modest discount to estimated market value which is provided to TSG under the option.

Sharon Shirk and the United States Trustee filed objections to the TSG Agreement. The Unsecured Creditors Committee filed a response to the TSG Agreement agreeing with the terms of the agreement, except for the loan interest rates and origination fees. The Unsecured Creditors Committee requested that the Court make and enter an Order approving the TSG Agreement, with modified loan interest rates and origination fees, "as soon as possible so that the group can proceed immediately with its plans for the Debtors lands, which the committee believes should provide the best opportunity for starting to develop benefit for the unsecured creditors in this case." On November 30, 2001, the Debtors and the U.S. Trustee entered into a Stipulation on the Debtor's motion and modified the TSG Agreement ("TSG Stipulation") as follows:

- The Interim Loan in the amount of \$80,000 and the Final Loan in the amount of \$100,000 shall be modified to provide that the loan origination fee for each loan shall be reduced from 5 points to 4 points. In addition, the interest rate applicable to both loans shall be reduced from 15% to 14%. The loans shall have a 15 month term commencing upon the first date on which both the Order for approval is entered and the first advance is made ("Loan Effective Date").

- The duration of Lease with Option to Buy shall extend for a period of nine months commencing on the Loan Effective Date. This represents a reduction from the one year period set forth in the existing Agreement.

- The Lease with Option to Buy provision of the Agreement became in full force and effect, binding by and between the Debtor and The Standard Group following approval by the Court. However, in the event that the Debtors Chapter 11 case is converted by the Court to a case under Chapter 7, the Lease with Option to Buy shall not be binding on a Chapter 7 Trustee from the date of his appointment

On December 14, 2001, the Court issued an Order approving the Debtors' Motion to assume the TSG Agreement, as amended by the TSG Stipulation, which allows the Debtors to sell parcels of the Property to TSG free and clear of liens, claims and encumbrances as TSG exercises its options.

JBR Environmental

On November 21, 2001, North Lily filed a Motion for Order under 11 U.S.C. § 365 and Fed. R. Bank. P. 6006 Authorizing Debtor to Assume Executory Contract with JBR Environmental Consultants, Inc. In order to comply with applicable environmental protection laws, and to about potential fines, while also helping to realize the greatest possible recovery for sale of North Lily's property, North Lily must also complete reclamation of its small heap leach tailings reprocessing facility located near Silver City, Utah ("Project") on a portion of its real property.

The reclamation completion process involved the revegetation of land by November, 2001 and continued monitoring for five years. The reclamation work was necessarily time sensitive. Under a State of Utah Stipulation and Consent Order dated July 26, 2000, (as amended) Docket No. 2000-004/Cause No. M/023/007, State of Utah, North Lily was required to complete the revegetation work at the Project no later than November, 2001. Additionally, North Lily is required to perform five years of weekly environmental monitoring at the Project.

Failure to perform the revegetation work exposes North Lily to forfeiture of a \$32,500 bond posted by North Lily and held by the Utah State Division of Oil, Gas and Mining and also exposes North Lily to substantial fines to both the Utah State Departments of Oil, Gas and Mining and Water Quality.

North Lily retained JBR Environmental Consultants, Inc. ("JBR") approximately two years ago to begin the final reclamation work required at the Project. To date, North Lily has expended approximately \$400,000 on the shutdown of the Project and the reclamation work. The revegetation and monitoring work are the last phases of the reclamation work.

On June 22, 2001, North Lily entered into an agreement ("Agreement") with JBR. The Agreement was supplemented on November 7, 2001. The Agreement provides for JBR to continue and complete North Lily's necessary shut down, reclamation and monitoring work for the Project. This ongoing work will take up to five years. In exchange, North Lily agreed to immediately pay \$85,000 to JBR from funds which then were being released from the Project's reclamation bond toward a then existing balance due JBR of \$143,574.69 (the balance subsequently increased to \$151,944 as of June 30, 2001 for work performed in the interim). North Lily further agreed to execute and provide JBR with a promissory note

which obligated North Lily to pay the remaining June 30 balance of \$66,944.00 by December 31, 2001 at 8% interest. Further, North Lily executed a Deed of Trust to secure the promissory note with 800 acres of patented mining claims known as the Paymaster.

Pursuant to the June 22, 2001 Agreement, North Lily also assigned to JBR the proceeds from North Lily's remaining reclamation bond in the amount of \$32,500 on November 6, 2001. JBR will look to the bond solely to pay the remaining costs and expenses for its work.

North Lily received a U.S. Environmental Protection Agency request for information pursuant to CERCLA, Section 104 with respect to the Project and historic activity in the District. In order to adequately respond to the EPA request, North Lily required additional services from JBR. The parties have entered into a further Supplement to the Agreement under which JBR has agreed to provide the needed services. The currently estimated cost and retainer for this supplemental work is \$2,500, plus costs related to work performed by a geologist consultant.

Approval of the Debtor's assumption of the Agreement as amended and supplemented allowed the Debtors to remain in compliance with environmental laws and enhance and preserve the value of the real property assets and bond. The Court approved the assumption of the Agreement on January 25, 2002.

United States Trustee

On November 29, 2001, the U.S. Trustee filed a Motion to Convert or Dismiss the Debtors' cases. The Debtors and the Trustee discussed the issues regarding the Trustee's motion, and the Trustee agreed to withdraw its motion. On December 26, 2001, the U.S. Trustee filed a Motion to Permit Withdrawal Without Prejudice of the United States Trustee's Motion to Convert Jointly Administered Cases. On January 9, 2002, the Court issued an Order Permitting the Withdrawal Without Prejudice of the United States Trustee's Motion to Convert Jointly Administered Cases.

LIQUIDATION ANALYSIS UNDER CHAPTER 7

The principal alternative to the Debtors' reorganization under Chapter 11 is a conversion of the case to Chapter 7 of the Bankruptcy Code. Chapter 7 requires the liquidation of the Debtors' assets by a Trustee who is appointed by the United States Trustee's office. In a Chapter 7 case, the debtors would cease all business operations and the Trustee would take over control of the assets. The assets would be liquidated and the proceeds distributed to creditors in the order of their priorities.

North Lily

Under a Chapter 7 liquidation, secured creditors may obtain relief from the automatic stay and foreclose their security interests in North Lily's real and personal property. Under a Chapter 7 liquidation, unsecured creditors may receive a portion of their claims, depending on the market value of North Lily's assets. A forced sale liquidation of the North Lily real and personal property by a Chapter 7 Trustee will undoubtedly result in a lower market price than if sold under the Plan within two years.

As detailed in Exhibit D, assuming a sixty day liquidation sale of the North Lily real and personal property, the proceeds from sale of the real estate is estimated at \$106,850. This figure takes into consideration an estimated sale value of \$288,400, payment of secured claims, real estate taxes, costs and commissions related to the sale. North Lily possesses a minimal amount of personal property with an estimated value of \$9,517. The Chapter 11 administrative expenses, including legal and accounting fees to be paid are estimated at \$61,000, leaving the estate with approximately \$55,637. After payment of Chapter 7 administrative expenses, estimated at \$10,814, the estate will be left with approximately \$44,823 to distribute to unsecured creditors. Under these assumptions, the total distribution to unsecured creditors is approximately 3.9% of their claims.

The other alternative to North Lily's reorganization under Chapter 11 is dismissal of the case from the Bankruptcy Court. If a bankruptcy case is dismissed, all the transactions related to assets, liquidation and distribution to creditors will occur outside of bankruptcy. The secured creditors may foreclose on the North Lily real property. Unsecured creditors will have to file lawsuits against North Lily and obtain a judgment in State or Federal Court to receive any distribution of North Lily's unencumbered assets. Due

to the large amount of unsecured claims in the North Lily estate, and the costs to litigate such claims, unsecured creditors will likely receive less on the dollar than under the Plan.

Given the alternatives under a Chapter 7 scenario, and under a case dismissal scenario, the Debtors' proposed Chapter 11 Plan provides a substantially better alternative for all parties involved. It is therefore urged by the Debtors that all creditors vote in favor of the Plan.

Xeres

Under a Chapter 7 liquidation, secured creditors may obtain relief from the automatic stay and foreclose their security interests in Xeres' real property. Under a Chapter 7 liquidation, unsecured creditors will likely receive no distribution on their claims. A forced sale liquidation of the Xeres real personal property by a Chapter 7 Trustee will undoubtedly result in a lower market price than if sold under the Plan within two years. As detailed in Exhibit D, assuming a sixty day liquidation sale of the Xeres real property, there will be insufficient equity to pay all secured creditors, let alone any unsecured creditors.

Given the priority claims that would have to be paid, there is no likelihood that unsecured creditors would be paid in a Chapter 7 case. Given the alternative under a Chapter 7 scenario, the Debtors' proposed Chapter 11 Plan provides a substantially better alternative for unsecured creditors. It is therefore urged by the Debtor that all creditors vote in favor of the Plan.

DATED: February ____, 2002.

NORTH LILY MINING COMPANY, A UTAH
CORPORATION

XERES TINTIC, LLC

By: _____
Stephen E. Flechner, Chief Executive Officer

By: _____
W. Gene Webb, Executive Vice President

Kutner Miller Kearns, P.C. ("KMK") has acted as legal counsel to North Lily Mining Company and Xeres Tintic, LLC on bankruptcy matters during the Chapter 11 case. KMK has prepared this Disclosure Statement with information provided primarily by North Lily and Xeres. The information contained herein has been approved by North Lily and Xeres. KMK has not made any separate independent investigation as to the veracity or accuracy of the statements contained herein.

Counsel to North Lily Mining Company and Xeres Tintic, LLC
Debtor-in-Possession:

By: _____

Lee M. Kutner, #10966

KUTNER MILLER KEARNS, P.C.

303 East 17th Avenue, Suite 500

Denver, CO 80203

Telephone: (303) 832-2400

Telecopy: (303) 832-1510

E-Mail: lmk@kutnerlaw.com

North Lily General Unsecured Creditors

| Creditor | Claim | Proof of Claim No. | Subsidiary claim |
|--|-------------|--------------------|------------------|
| Aaron Rents, Inc. | \$5,454.48 | | x |
| Accent Coffee Services, Inc. | \$97.82 | | x |
| Accountemps | \$1,650.88 | | x |
| Advantage Credit International | \$13.00 | | x |
| Agresi & Associates, LLC | \$530.00 | | x |
| Airborne Express | \$575.00 | | x |
| Alpine Roastery | \$296.18 | | x |
| American Express | \$29,739.01 | 3 | |
| Anaconda-Deer Lodge County | \$1,371.97 | | |
| Andy DiBattista | \$27,974.00 | | |
| Anthem Life | \$0.00 | | |
| Arapahoe Community College | \$257.00 | | x |
| Arapahoe County Treasurer | \$328.40 | | x |
| Arnold F. Guttenberg, P.C. | \$1,250.00 | | x |
| Ascent Appraisals | \$1,400.00 | | x |
| AT&T | \$1,233.68 | | |
| AT&T | \$435.72 | | x |
| AT&T | \$463.94 | | x |
| B.L. Berman | \$18,900.00 | | |
| Baker Real Estate Appraisals | \$300.00 | | x |
| Bearman, Talesnick & Clowdus | \$9,097.00 | | |
| Bob Mitchell | \$0.00 | | x |
| Brenda Solano | \$3,030.30 | | x |
| Business Wire | \$115.00 | | |
| Chase Management | \$8,259.86 | | |
| Chemtech-Ford | \$1,450.00 | | |
| Chicago Title | \$0.00 | | x |
| Chris Springer | \$1,200.00 | | x |
| Colorado Engineering & Surveying, Inc. | \$300.00 | | x |
| Colorado Secretary of State | \$25.00 | | x |
| Community Trust Funding | \$4,307.02 | | x |
| Computer Upgrades, Inc. | \$5,380.96 | | x |
| Computershare | \$17,567.00 | | |
| Convergent Communications Services, Inc. | \$2,600.00 | | x |
| Coopers & Lybrand | \$50,260.91 | | |
| Corette Pohlman & Kebe | \$9,471.11 | | |
| CT Corporation Systems | \$255.00 | | |
| Daryek Thomson | \$1,250.00 | | x |
| Data Safe | \$822.69 | | |
| De Lage Landen | \$6,275.52 | | x |
| Dean Witter Reynolds | \$723.13 | | |
| Denver Business Journal | \$79.00 | | x |
| DMS Appraisal | \$2,400.00 | | x |
| Don Dominick | \$0.00 | | x |
| Dr. Sandeep Singla | \$25,000.00 | | |
| Ducker, M&L, P.C. | \$11,599.67 | | |
| Eastgate Appraisal, Inc. | \$0.00 | | x |
| Ebert Appraisal Service | \$102.00 | | x |

North Lily General Unsecured Creditors

| Creditor | Claim | Proof of Claim No. | Subsidiary claim |
|--|-------------|--------------------|------------------|
| Edgar by Knight | \$594.00 | | |
| Efficacy Group, Inc. | \$863.51 | | x |
| Environmental Management Services | \$7,739.87 | | |
| ESA Consultants, Inc. | \$2,824.76 | | |
| Executive Manor Company | \$15,024.88 | | x |
| Experian Marketing Services | \$14,608.50 | | x |
| Federal Express | \$2,980.59 | | x |
| Federal Express | \$411.76 | | x |
| Fidelity National Credit Services | \$5,499.24 | | x |
| First Business Systems, Inc. | \$1,721.41 | | x |
| First Cherry Creek, LLC c/o DPM, Inc. | \$8.00 | | x |
| First Community Mortgage c/o Girsh & Rottman | \$0.00 | | x |
| Gary W. Mitchell | \$0.00 | | x |
| Gemisys | \$5,293.80 | | |
| Gillan's, Inc. | \$105.00 | | x |
| Glenarm 1800 LLC | \$14,879.42 | | |
| Global Crossing Telecommunication | \$79.48 | | |
| Gregg and Dena Weeder | \$38,000.00 | | |
| Harward Irrigation Systems | \$206.41 | | |
| HMO Colorado/Anthem Blue Cross | \$0.00 | | |
| Humana | \$1,339.94 | | |
| IOS Capital | \$4,617.12 | 1 | |
| Jason Woods | \$1,801.34 | | x |
| Jim Zamberry | \$792.07 | | x |
| John Dehaas | \$0.00 | | x |
| John Dominick | \$0.00 | | x |
| Kelly McGuire | \$2,500.00 | | |
| Land Title Guarantee Company | \$1,358.00 | | x |
| Laurence Harte | \$0.00 | | x |
| Lewan and Associates | \$72.96 | | |
| Lucent Technologies | \$164.98 | | |
| Manpower | \$270.81 | | x |
| Marcelo Claure | \$38,068.00 | | |
| MCI Worldcom | \$121.61 | | x |
| MCI Worldcom | \$0.00 | | x |
| Megan Hurley | \$1,000.00 | | x |
| Merrill Lynch | \$1,205.95 | | |
| Metrolist, Inc. | \$268.25 | | x |
| Mike Daugherty | \$1,483.58 | | x |
| Mine Development Association | \$796.72 | | |
| Mitchell Financial Printing | \$471.75 | | |
| Multi-Link Communications, Inc. | \$1,680.78 | | x |
| Nations Lending Service | \$4,935.13 | | x |
| Neal Mansi | \$4,935.13 | | x |
| Nesios Lending Services | \$475.00 | | x |
| Newcourt Leasing | \$3,792.24 | | x |
| Next Direct, Inc. | \$538.00 | | x |
| Nicky Dozortsev | \$0.00 | 6 | |

North Lily General Unsecured Creditors

| Creditor | Claim | Proof of Claim No. | Subsidiary claim |
|---|--------------|--------------------|------------------|
| Office Max | \$241.82 | | x |
| On Time Messenger Service, Inc. | \$30.00 | | x |
| Pacificare | \$2,448.82 | | x |
| Pansing Law Office | \$1,012.50 | | x |
| Patton Boggs | \$48,523.74 | | |
| Paul Ruttum | \$42,000.00 | | |
| Paul and Carol Spor | \$4,500.00 | | |
| Paycheck, Inc. | \$57.60 | | x |
| Phil Pankoff, P.C. | \$1,720.00 | | |
| Pinnacol Insurance | \$711.00 | | x |
| Pinnacle Performance Fund, Inc. | \$75,000.00 | 7 | Not on Sch. F |
| Pitney Bowes | \$175.00 | | |
| Podoll & Podoll, P.C. | \$1,095.50 | | x |
| PR Newswire (duplicate) | \$4,365.00 | | x |
| PR Newswire | \$4,385.00 | | x |
| Praxair | \$317.14 | | |
| Public Storage | \$109.00 | | |
| Qwest Communications | \$6,099.66 | | x |
| Robert Kaufman/RAKG Partners, Inc. | \$50,000.00 | 8 | |
| Robert Robinson | \$0.00 | | x |
| Rocky Mountain Business Products | \$72.59 | | |
| Rocky Mountain News | \$1,523.65 | | x |
| Rocky Mountain Realty Service | \$395.00 | | x |
| Ron Cooper c/o James C. Fattor | \$10,750.00 | | |
| Scott Simpkins | \$15,000.00 | | |
| Sean Young | \$0.00 | | x |
| Sharon Shirk, MRA | \$3,000.00 | | |
| Sierra Springs | \$363.55 | | x |
| Skyline Telecom | \$127.81 | | |
| Smith Cageorge | \$1,707.50 | | |
| Source Management, Inc. | \$101.95 | | x |
| South Easter Place, LLC c/o Investors Properties, LLC | \$25,000.00 | | x |
| Sprint | \$298.67 | | x |
| State Farm Insurance | \$66.49 | | x |
| Stephen E. Flechner | \$139,955.00 | | |
| Steve Friberg | \$35,225.00 | | |
| Structural Consultants, Inc. | \$1,009.00 | | x |
| Summit Appraisal Service | \$900.00 | | x |
| Teleglobe Business Solutions | \$1,038.50 | | x |
| The Denver Post | \$2,439.64 | | x |
| The Depository Trust Company | \$3,675.00 | | |
| The Telephone Connection | \$519.66 | 4 | x |
| The Telephone Connection | \$97.50 | 5 | |
| Thelen, Marrin, Johnson | \$155.00 | | |
| Thomas Financial Media | \$172.26 | | x |
| TWA | \$249.00 | | |
| U.S. Bank | \$1,031.07 | | x |

North Lily General Unsecured Creditors

| Creditor | Claim | Proof of Claim No. | Subsidiary claim |
|-----------------------------------|-----------------------|---------------------------|-------------------------|
| U.S. Postal Service | \$2,000.00 | | x |
| U.S. West | \$4,420.94 | | x |
| U.S. West | \$15,266.86 | | x |
| U.S. West Conferencing Services | \$28.38 | | x |
| Unique Litho, Inc. | \$102.84 | | x |
| United Healthcare | \$0.00 | | x |
| United Online International, Inc. | \$95.70 | | x |
| US EPA | \$0.00 | | x |
| Utah Power | \$782.89 | | |
| Van Cott, et al. | \$6,681.51 | 2 | |
| Viking Office Products | \$1,021.61 | | x |
| W. Gene Webb | \$138,739.00 | | |
| Westword | \$52.00 | | x |
| Wheeler Wasoff | \$52,000.00 | | |
| Wood Appraisals | \$1,750.00 | | x |
| Woodmen Accident and Life Company | \$22,000.00 | | x |
| Yellowstrike Exploration | \$19,768.00 | | |
| Total | \$1,189,747.59 | | |

Notes:

The creditors listed as subsidiary claims are not claims of North Lily, but instead are claims related to its subsidiary, Loanmining.com, of which North Lily is not liable. North Lily intends to amend its schedules showing this change. The total general unsecured debt less the Loanmining.com claims is approximately \$983,026.

EXHIBIT A

Xeres General Unsecured Creditors

| Creditor | Claim | Proof of Claim No. |
|---------------------------|--------------|---------------------------|
| North Lily Mining Company | \$40,000.00 | |
| | | |
| Total | \$40,000.00 | |

North Lily Mining Company
Balance Sheet

dated September 27, 2001

UNAUDITED
August 31,
2001
(Unaudited)

ASSETS

Current Assets

| | |
|----------------------|----------------|
| Cash | \$ 10,103 |
| Accounts receivable | 95,115 |
| Other | 11,786 |
| Total Current Assets | <u>117,004</u> |

| | |
|-----------------------------|---------------------|
| Property and equipment, net | 56,932 |
| Land | 656,551 |
| Reclamation bond | 32,500 |
| Notes Receivable | 123,956 |
| Other note 1 | 640,000 |
| | <u>\$ 1,626,943</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

| | |
|-------------------------|---------|
| Accounts payable | 369,024 |
| Notes payable | 317,585 |
| Reclamation liabilities | 32,500 |
| Convertible notes | 86,747 |

Total Current Liabilities 805,856

| | |
|-----------------|---------|
| Notes payable | 553,850 |
| Due to officers | 287,294 |

Total Liabilities 1,647,000

Stockholders' Equity

Common stock, \$0.10 par value; authorized 30,000,000 shares; issues and outstandings - 5,000,122 (December 31, 1999), 15,863,403 (December 31, 2000) and 18,604,932 shares (August 31, 2001)

| | |
|----------------------------|---------------------|
| Additional paid-in-capital | 1,836,736 |
| Common stock subscribed | 53,328,956 |
| Accumulated (deficit) | (125,000) |
| | <u>(55,080,749)</u> |

Total Stockholders' Equity (20,057)

\$ 1,626,943

Note 1

North Lily issued shares to companies that were to perform public relations, consulting, shareholder communication. The shares were issued January and February 2001 and the services were never performed. As a result the company has classified the value of the agreements, based on the market trading price the date of the agreement, as Other in the asset section of the balance sheet. The Company takes the position that these companies have to now pay for the shares, based on the market trading price of the shares at the date of the agreements were signed, or return the issued shares to the Company for nonperformance of the agreements.

EXHIBIT C

NORTH LILY MINING COMPANY AND SUBSIDIARIES

Statement of operations

dated September 21, 2001

**Unaudited
Period ended
August 31,
2001**

Revenue

Land sales

Total Revenue

56,915

56,915

Cost of sales

Cost of land sales

20,300

Net profit

36,615

Operating expenses

General and administrative

Silver City Project

386,255

225,808

Operating (Loss)

(575,448)

Other income (expenses)

Interest expense

Write off subsidiaries

Other, net

(61,995)

(1,052,424)

160,610

(953,809)

Net (loss)

(1,529,257)

| | | | | |
|-------------------|-----------------------------------|--|--|-------------|
| | XERES TINTIC LLC | | | |
| | STATEMENT OF OPERATIONS | | | |
| | January 1 through August 31. 2001 | | | |
| | | | | |
| Revenue: | | | | |
| Land Sales | | | | 0 |
| Cost of sales | | | | |
| Land cost | | | | |
| Recording fees | | | | |
| | | | | |
| Total Revenue | | | | 0 |
| | | | | |
| Expenses: | | | | |
| Property taxes | | | | 2,500.00 |
| Mangement fee | | | | 16,000.00 |
| Total Expenses | | | | 18,500.00 |
| | | | | |
| Net Income (Loss) | | | | (18,500.00) |

| | | | |
|------------------------------|--|--|--------------|
| XERES TINTIC LLC | | | |
| BALANCE SHEET | | | |
| AS OF AUGUST 31, 2001 | | | |
| Assets | | | |
| Accounts Receivable | | | |
| Other | | | 12,500.00 |
| Total Curent Assets | | | 445.00 |
| | | | 12,945.00 |
| Property | | | |
| Land | | | 842,840.00 |
| Other | | | 12,500.00 |
| Accounts receivable note 1 | | | 553,850.00 |
| Total assets | | | 1,422,135.00 |
| Liabilities and Equity | | | |
| Liabilities | | | |
| Accounts Payable | | | 42,500.00 |
| Notes Payable note 1 | | | 553,850.00 |
| Total Liabilities | | | 596,350.00 |
| Equity | | | |
| North Lily Mining Company | | | 669,995.00 |
| Minority | | | (5,698.00) |
| Net income | | | 161,488.00 |
| Total Liabilities and Equity | | | 1,422,135.00 |

EXHIBIT D
Liquidation Analysis
North Lily

ASSETS

Real Estate:

| | |
|---|---------------|
| Value at 60 day liquidation sale ¹ | \$288,400 |
| Less secured claims | |
| Karen Prior (1 st lien on Paymaster) | (\$37,000) |
| JBR Environmental (2 nd lien on Paymaster) | (\$66,944) |
| Ted Loud (1 st lien on Eureka) | (\$15,000) |
| Property taxes, Juab County | (\$ 9,382) |
| Property taxes, Utah County | (\$24,868) |
| Less costs related to sale | |
| Realtor's commission (6% of sale price) | (\$25,956) |
| Closing costs | (\$2,400) |
| Less Federal capital gains taxes ² | (\$0) |
| Less State of Colorado capital gains taxes | (\$0) |
| Real estate proceeds: | \$106,850 |

Personal Property:

| | |
|--------------------------------------|----------|
| Cash ³ | \$6,017 |
| 96.5% interest in Xeres ⁴ | \$0 |
| Office Equipment | \$ 1,000 |

¹ Value based upon at least 60% decrease in market price due to a liquidation sale and the location of the property (\$721,000 x 40% = \$288,400).

² Based on \$815,000 tax basis:

| | |
|----|----------------------------|
| \$ | 288,400 |
| | (25,956) commission |
| | (2,400) closing costs |
| | <u>(815,000) tax basis</u> |
| \$ | (554,956) taxable gain |

³ Based upon December, 2001 monthly report.

⁴ Should Xeres convert to a liquidation, there will be no distribution to general unsecured creditors, nor will there be any equity for shareholders.

| | |
|---|----------------------|
| Investment in Riverdale accounts receivable ⁵ | \$0 |
| Note receivable ⁶ | \$0 |
| Promissory note receivable ⁷ | \$0 |
| Note receivable: Gene Webb | \$2,500 |
| Unliquidated/contingent claims | \$ unknown |
| Total personal property: | \$9,517 |
| Total real estate and personal property proceeds | \$116,637 |

Less Chapter 11 administrative expenses:

| | |
|--|-----------|
| KMK legal fees | \$ 30,000 |
| Wheeler Wassoff bookkeeping fees | \$ 7,000 |
| Hein & Associates accounting fees | \$ 18,000 |
| Patten Boggs, LLC special counsel fees | \$ 5,000 |
| U.S. Trustee | \$ 1,000 |

Total Chapter 11 administrative expenses \$ 61,000

Net proceeds after Chapter 11 expenses \$ 55,637

Less Chapter 7 - Expenses

| | |
|------------------------------|--------------|
| Trustee fees ⁸ | \$ 4,814 |
| Accountants fees (estimated) | 3,000 |
| Attorneys fees (estimated) | <u>3,000</u> |
| Total | \$10,814 |

⁵ This receivable is questionable as to collection. North Lily is contemplating filing claims against Riverdale for failure to assign receivables to North Lily.

⁶ North Lily scheduled a note receivable in the amount of \$14,300 which has been paid in full in October, 2001.

⁷ North Lily scheduled notes receivable from Captains Management, Inc., Dave Lott, and Richard Pearlman in unknown amounts. Collection on this note is questionable and may require pursuing these claims in Court.

⁸ This commission is computed at the statutory rates assuming the Trustee has a negligible amount of assets to distribute after the secured creditors foreclose and receive payment of their secured claims plus interest.

| | |
|---------------------------------------|-----------------|
| Net proceeds after Chapter 7 expenses | \$ 44,823 |
| Total Liquidation Value | \$44,823 |
| General unsecured debt: | \$1,156,825 |
| Distribution to unsecured creditors: | 3.9% |

EXHIBIT D
Liquidation Analysis
Xeres

ASSETS

Real Estate:

| | |
|--|-------------|
| Value at 60 day liquidation sale ¹ | \$600,960 |
| Less secured claims | |
| Old West (1 st liens on Southern 640 and Elberta) | (\$553,000) |
| US Bank (2 nd liens on Southern 640 and Elberta) | (\$105,000) |
| Property taxes, Juab County | (\$ 1,100) |
| Property taxes, Utah County | (\$ 1,400) |
| Avalanche Funding (½ of debt to both NL and Xeres) | (\$ 8,150) |
| Proceeds after pay off of secured claims | (\$ 67,690) |

Less costs related to sale

| | |
|---|-------|
| Realtor's commission (6% of sale price) | (\$0) |
| Closing costs | (\$0) |
| Less Federal capital gains taxes ² | (\$0) |
| Less State of Colorado capital gains taxes | (\$0) |

Real estate proceeds: \$0³

Personal Property: \$0

Total real estate and personal property proceeds \$0

Total Liquidation Value \$0

Distribution to unsecured creditors: 0%

¹ Value based upon at least 40% decrease in market price due to liquidation sale (\$1,001,600 x 60% = \$600,960).

| | | |
|--|----|----------------------------|
| ² Based on \$843,000 tax basis: | \$ | 600,960 |
| | | (36,058) commission |
| | | (2,400) closing costs |
| | | <u>(843,000) tax basis</u> |
| | \$ | (280,498) taxable gain |

³ There is insufficient equity in the Xeres property to pay all the secured claims based on the liquidating sale price.